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1 **ORIGINAL**

BEFORE THE ARIZONA CORPORATION COMMISSION

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3 **COMMISSIONERS**

4 KRISTIN K. MAYES, CHAIRMAN

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2010 FEB 19 P 2:30

AZ CORP COMMISSION
DOCKET CONTROL

8 **IN THE MATTER OF THE APPLICATION
OF SONOITA VALLEY WATER
COMPANY FOR A RATE INCREASE**

10 **And**

12 **IN THE MATTER OF THE
APPLICATION OF SONOITA VALLEY
WATER COMPANY FOR
AUTHORITY TO INCUR DEBT TO
FINANCE WATER SYSTEM
IMPROVEMENTS**

Docket No. W-20435A-09-0296
W-20435A-09-0298

**SONOITA VALLEY WATER
COMPANY'S STATUS REPORT**

Arizona Corporation Commission

DOCKETED

FEB 19 2010

DOCKETED BY

17 Pursuant to court order at the hearing held on January 22, 2010, Sonoita Valley
18 Water Company ("Company") submits its status report regarding the outstanding issues.
19

20 Arizona Corporation Commission ("Commission") Staff and the Company agree
21 on nearly all points. At the hearing, Staff and the Company still held different positions
22 on the following issues:
23

- 24 • Staff's determination that the interconnection of the Sonoita and Los Encinos
25 systems was not used and useful;
26
- 27 • The possible need for a new well;
28

- Whether the Company could “phase-in” project improvements without incurring debt unnecessarily; and
- The deadlines for finishing the projects.

The issue regarding the interconnection is before the court to make its determination and no further argument was offered by Staff, and likewise, the Company does not believe additional argument is necessary.

New Well

In its status report, Staff suggests an approach that would allow the Company an opportunity to drill a new supply well if the Company establishes a need for a new well in consultation with Staff. The Company agrees this approach is reasonable and supports Staff’s position.

Project Phasing

In response to the court’s request to address customer rate shock, the Company suggested that the project could be completed in phases to reduce rate shock. At the hearing, the Company and Staff had a different understanding of how WIFA financing works and whether project phasing would result in the Company paying unreasonable financing charges. In response to Staff’s position, the Company took the position that it could build the necessary improvement at one time rather than adopting a phase-in approach.

Nevertheless, Staff now has noted that the Company may be able to stagger separate WIFA loans, and thereby build the project in phases without incurring unreasonable finance charges by taking separate loans from WIFA. The Company has

1 confirmed with WIFA that it may be able to enter into two loans with the Company
2 provided that the Commission Order grants the Company this ability. Thus, consistent
3 with Staff's position, the Company believes that the order should approve the request for
4 financing and provide that the Company can enter into two loans with WIFA provided
5 the cumulative amount of principal borrowed does not exceed \$656,271.
6

7
8 **Deadlines**

9 The Company appreciates Staff's willingness to grant the Company until June 30,
10 2011 to file approvals of construction. However, if the project phasing is approved, the
11 Company suggests that the approvals of construction for the first phase be filed by June
12 30, 2011 and the approvals of construction for the second phase be filed by December 31,
13 2012.
14

15 DATED this 19th day of February, 2010.
16

17 MOYES SELLERS & SIMS LTD.

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20 Steve Wene
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23 Original and 15 copies filed this
24 19th day of February, 2010, with:

25 Docket Control
26 Arizona Corporation Commission
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Copy of the foregoing mailed this
19th day of February, 2010, to:

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